Student Take Home Guide

Personal Finance

Credit Topics

CAROLINA COLLEGIATE

FEDERAL CREDIT UNION

Personal Financial Education

Credit Topics

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How to Get Back on Track with Credit

If you have had problems in the past paying your bills, your credit history has been affected. With this in mind, it may be difficult to obtain future credit. The following suggestions will help you re-establish your credit:

Use a savings account as collateral for an installment loan. You may be able to borrow as much as you have in the account, but your prompt repayment will indicate responsibility.

Make a larger down payment than required to indicate an interest in the purchase. A creditor will approve a loan where you have something invested.

Have a cosigner who has not had credit problems apply with you for a charge account or loan.

Have merchandise financed through a dealer or store where there is collateral for the item.

Discuss getting a credit card with a minimal credit limit from a major department store until you can prove your credit worthiness.

Avoid rent-to-own companies that advertise re-establishment of credit by renting merchandise. It is not uncommon for the required weekly payments to increase the cost of the merchandise 2 or 3 times its normal value. Not only that, but most rent-to-own companies do not report your credit status to credit bureaus because they are not subscribing members.

According to the Fair Credit Reporting Act, you have the right to attach a 100-word statement to your credit report. If the circumstances behind your problems are unusual, it may be helpful to have the added clarification available for potential lenders.

How to Establish Credit

Many people ask how they can establish or re-establish their credit history. This is an important question because credit records are essential to obtain credit. The information in your credit report is used by potential creditors to determine if you are a good risk.

Credit is a way of having something now and paying for it later. Many of us want to take advantage of flexibility in our spending plans by using credit. It usually isn't free, it's paid for by interest that varies.

You can help yourself establish a good credit history by doing the following:

Suggestions for establishing your credit or credit history

Open a checking and savings account at a local financial institution to establish a relationship with them. Make sure you show a savings habit and do not overdraft your checking account.

Apply for a loan that has collateral. For example, a car loan is many times easier to obtain because it is a secured loan. In the event you cannot pay, they can take back the security (car). Unsecured loans, for example charge cards, are of more risk to creditors because there is rarely merchandise to take back in the event you can no longer pay.

Obtain a cosigner for your first loan or charge card. This will establish a credit history to a credit bureau.

Apply for a secured charge account. Make sure you have investigated the institution before you send any money. Be cautious of any one that guarantees a card but requires up-front money to process the application.

If offered a pre-approved credit card through the mail, go ahead and send for it to establish a credit history.

Open a charge account at a local department store with a small balance.

Qualifying For Credit

Qualifying for credit and proving you're credit worthy will involve your ability to repay, your assets that serve as security, and your attitude toward responsibility. In reviewing applications for credit, creditors may use a point system called credit scoring or more commonly look for what sometimes is called the 4 C's - capacity, capital, character, and conditions. These help creditors analyze their risk for approving the application for credit.

Capacity
Do you have the financial capacity to take on the credit you are seeking? Creditors look at your income and your current financial obligations to determine if you have the capacity to handle the additional debt.

Capital
Creditors are looking for what types of assets and resources you have. Do you have equity in your home? What is the value of your car? In determining capital, creditors are not just looking for a means of payment; they seek assurance that a debt could be paid from your assets if the need arose.

Character
This is the most important aspect to the majority of creditors. What has been your responsibility in paying your other debts according to the term of the contract? They rely on credit bureau reports to determine your character. They also verify information, provided by you on your application, to determine if you gave accurate information.

Conditions
Creditors analyze current economic trends to determine if your ability to pay is at risk. If statistics show that your occupation is subject to high unemployment, strikes, layoffs, and seasonal work, it may affect the granting decision or change the terms in your contract.

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Cosigning a Loan

What would you do if a friend or relative asked you to cosign a loan? Before you answer, make sure you understand what cosigning involves. Under federal law, creditors are required to give you a notice that explains your obligations. The cosigner's notice states:

- You are being asked to guarantee this debt. Think carefully before you do. If the borrower does not pay the debt, you will have to. Be sure you can afford to pay if you have to, and that you want to accept this responsibility.
- You may have to pay up to the full amount of the debt if the borrower does not pay. You may also have to pay late fees or collection costs, which increase this amount.
- The creditor can collect this debt from you without first trying to collect from the borrower.* The creditor can use the same collection methods against you that can be used against the borrower, such as suing you, garnishing your wages, etc. If this debt is ever in default, that fact may become a part of your credit record.
- This notice is not the contract that makes you liable for the debt.

***** Depending on your state, this may not apply. If state law forbids a creditor from collecting from a cosigner without first trying to collect from the primary debtor, this sentence may be crossed out or omitted altogether.

Cosigners Often Pay

Studies of certain types of lenders show that for cosigned loans that go into default, as many as three out of four cosigners are asked to repay the loan. When you're asked to cosign, you're being asked to take a risk that a professional lender won't take. If the borrower met the criteria, the lender wouldn't require a cosigner.

In most states, if you cosign and your friend or relative misses a payment, the lender can immediately collect from you without first pursuing the borrower. In addition, the amount you owe may be increased — by late charges or by attorneys' fees — if the lender decides to sue to collect. If the lender wins the case, your wages and property may be taken.

If You Do Cosign

Despite the risks, there may be times when you want to cosign. Your child may need a first loan, or a close friend may need help. Before you cosign, consider this information:

- Be sure you can afford to pay the loan. If you're asked to pay and can't, you could be sued or your credit rating could be damaged.

- Even if you're not asked to repay the debt, your liability for the loan may keep you from getting other credit because creditors will consider the cosigned loan as one of your obligations.
- Before you pledge property to secure the loan, such as your car or furniture, make sure you understand the consequences. If the borrower defaults, you could lose these items.
- Ask the lender to calculate the amount of money you might owe. The lender isn't required to do this, but may if asked. You also may be able to negotiate the specific terms of your obligation. For example, you may want to limit your liability to the principal on the loan, and not include late charges, court costs, or attorneys' fees. In this case, ask the lender to include a statement in the contract similar to: "The cosigner will be responsible only for the principal balance on this loan at the time of default."
- Ask the lender to agree, in writing, to notify you if the borrower misses a payment. That will give you time to deal with the problem or make back payments without having to repay the entire amount immediately.
- Make sure you get copies of all important papers, such as the loan contract, the Truth-in-Lending Disclosure Statement, and warranties — if you're cosigning for a purchase. You may need these documents if there's a dispute between the borrower and the seller. The lender is not required to give you these papers; you may have to get copies from the borrower.
- Check your state law for additional cosigner rights.

For More Information

You can file a complaint with the FTC by contacting the Consumer Response Center by phone: toll-free 1-877-FTC-HELP (382-4357); TDD: 202-326-2502; by mail: Consumer Response Center, Federal Trade Commission, 600 Pennsylvania Ave, NW, Washington, DC 20580; or through the Internet, at www.ftc.gov. Although the Commission cannot resolve individual problems for consumers, it can act against a company if it sees a pattern of possible law violations.

Facing a Divorce

Divorce is an emotional separation that can greatly impact your financial situation. Many people are financially fit until faced with the economic consequences of marital separation. There are some steps you can take to minimize money problems during what is already a stressful time.

Beware of using money or charge cards as a marital weapon - if accounts are jointly held, you may end up paying the killer bill.

Stop charging unless you have the personal income to pay it off in a timely fashion. Do not use credit cards to supplement missing income.

Save for moving expenses and legal fees. They may be hefty and you should save and not charge or take new loans - unless, you have a secure job and can pay them back as promised.

Pay utilities on time - especially if they are in your name. If you have to move and resume service, you may be asked to pay security deposits if you have not been a good paying customer in the past. The same goes for rent and mortgage payments. Many landlords request credit bureau reports, and if the payment history is poor, they may refuse to rent to you.

Do not take out any new joint loans with your spouse. If your spouse doesn't pay, you will have to pay the entire loan.

Write the credit card companies and send a certified letter requesting a new credit card in your name only. According to the Equal Credit Opportunity Act, they must grant you a credit card equal to the current card's credit limit.

Protect your divorce judgment. If the divorce papers stipulate your spouse is responsible for the debts, unless you take legal action to remove your name from the original contract, the creditor may still pursue you in court.

Base all new bills and living arrangements on what you can reasonably afford on your own. Don't depend on child support or alimony when making future income considerations.

Save what you can, even if it's only $5.

Read and understand any financial documents BEFORE you sign. Make sure your attorney of financial advisor explains all the consequences of a decision, including any penalties for early withdrawals and income tax complications.

If you’re having trouble paying your bills, you can take advantage of the ***Accel*** program, a **free** financial education and counseling program of your Credit Union. ***Accel*** counselors are available Monday through Thursday 8 a.m. to 9 p.m. (EST), Friday 8 a.m. to 7 p.m. and Saturday from 9 a.m. to 1 p.m. To use this new service, simply call 1-877-33ACCEL (332-2235) or visit them on the web at www.accelservices.org

Divorce & Credit

If you've recently been through a divorce—or are contemplating one—you may want to look closely at issues involving credit. Understanding the different kinds of credit accounts opened during a marriage may help illuminate the potential benefits—and pitfalls—of each.

There are two types of credit accounts: individual and joint. You can permit authorized persons to use the account with either. When you apply for credit—whether a charge card or a mortgage loan—you'll be asked to select one type.

Individual or Joint Account

Individual Account
The creditor considers your income, assets, and credit history. Whether you are married or single, you alone are responsible for paying off the debt. The account will appear on your credit report, and may appear on the credit report of any "authorized" user. However, if you live in a community property state (Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, or Wisconsin), you and your spouse may be responsible for debts incurred during the marriage, and the individual debts of one spouse may appear on the credit report of the other.

> **Advantages/Disadvantages**
> If you're not employed outside the home, work part-time, or have a low-paying job, it may be difficult to demonstrate a strong financial picture without your spouse's income. But if you open an account in your name and are responsible, no one can negatively affect your credit record.

Joint Account
Your income, financial assets, and credit history—and your spouse's—are considerations for a joint account. No matter who handles the household bills, you and your spouse are responsible for seeing that debts are paid. A creditor who reports the credit history of a joint account to credit bureaus must report it in both names (if the account was opened after June 1, 1977).

> **Advantages/Disadvantages**
> An application combining the financial resources of two people may present a stronger case to a creditor who is granting a loan or credit card. But if two people applied together for the credit, each is responsible for the debt. This is true even if a divorce decree assigns separate debt obligations to each spouse. Former spouses who run up bills and don't pay them can hurt their ex-partner's credit histories on jointly held accounts.

Account "Users"

If you open an individual account, you may authorize another person to use it. If you name your spouse as the authorized user, a creditor who reports the credit history to a credit bureau must report it in your spouse's name as well as in yours (if the account was opened after June 1, 1977). A creditor also may report the credit history in the name of any other authorized user.

Advantages/Disadvantages
User accounts often are opened for convenience. They benefit people who might not qualify for credit on their own, such as students or homemakers. While these people may use the account, you—not they—are contractually liable for paying the debt.

If You Divorce

If you're considering divorce or separation, pay special attention to the status of your credit accounts. If you maintain joint accounts during this time, it's important to make regular payments so your credit record won't suffer. As long as there's an outstanding balance on a joint account, you and your spouse are responsible for it.
If you divorce, you may want to close joint accounts or accounts in which your former spouse was an authorized user. Or ask the creditor to convert these accounts to individual accounts.

By law, a creditor cannot close a joint account because of a change in marital status, but can do so at the request of either spouse. A creditor, however, does not have to change joint accounts to individual accounts. The creditor can require you to reapply for credit on an individual basis and then, based on your new application, extend or deny you credit. In the case of a mortgage or home equity loan, a lender is likely to require refinancing to remove a spouse from the obligation.

For More Information

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Scoring for Credit

How does a creditor decide whether to lend you money for a new car, a home mortgage, or for some other purpose? Many creditors use a system called "credit scoring" to determine whether you are a good credit risk. Based on how well you score, a creditor may decide to extend credit to you or turn you down. The following questions and answers may help you understand who gets credit - and why.

What is Credit Scoring?

Credit scoring is a system used by some creditors to determine whether to give you a loan or credit card. The creditor may examine your past credit history to evaluate how promptly you pay your bills and look at other factors as well, such as the amount of your income, whether you own a home, and how many years you have worked at your job. A credit scoring system awards points for each factor that the creditor considers important. Creditors generally offer credit to those consumers awarded the most points because those points help predict who is most likely to pay back the debt.

Why is Credit Scoring Used?

In smaller communities, shopkeepers, bankers, and others who extend credit often knew by word of mouth who paid their debts and who did not. As some creditors became larger and as the number of their consumer credit applications grew, these creditors needed to establish more systematic and efficient methods for evaluating which consumers were good credit risk. Credit scoring is one such technique.

While smaller creditors still may rely on informal credit evaluations, many large companies now use formal credit scoring systems. While no system is perfect, credit scoring systems can be at least as accurate as informal methods for granting credit - and often are more so because they treat all applications objectively.

How is a Credit Scoring System Developed?

Most credit scoring systems are unique because they are based on a creditor's individual experiences with customers. To develop a system, a creditor will select a random sample of its customers and analyze it statistically to identify which characteristics of those customers could be used to demonstrate creditworthiness. Then, again using statistical methods, a creditor will weigh each of these factors based on how well each predicts who would be a good credit risk.

How is a Consumer's Application Scored?

To illustrate how credit scoring works, consider the following example that uses only three factors to determine whether someone is creditworthy. (Most systems have 6 to 15 factors.)

Example

Monthly Income	**Points Awarded**
Less than $400	0
$400 to $650	3
$651 to $800	7
$801 to $1,200	12
$1,200 +	15
Age	
21-28	11
28-35	5
36-48	2
49-61	12
61+	15
Telephone in home	
Yes	12
No	0

Some credit scoring systems award fewer points to people in their thirties and forties, because these individuals often have a relatively high amount of debt at that stage of their lives. The law permits creditors using properly-designed credit scoring systems to award points based on age, but people who are 62 or older must receive the maximum number of points for this factor

Credit Scoring

Here are answers to some of the most common questions about credit scoring.

What is credit scoring?

- Empirically derived, statistical method of assessing risk
- Used to predict the relative likelihood that an individual will repay a credit obligation, such as a mortgage loan.

What is a credit score based on?

Information in a credit report

- Past payment behavior- current and historical delinquencies as well as their severity and prevalence.
- Level of indebtedness - outstanding debt balances, both in terms of $ and %
- Length of credit history
- Pursuit of new credit
- Types of credit available - generally less important than some of the other

What is a credit score NOT based on?

Factors prohibited under the Equal Credit Opportunity Act (ECOA)

- Race
- Age
- Gender
- Color
- Religion
- National Origin
- Marital Status
- Also excluded - - income, employment, where you live

What are the most common credit scoring models?

Two most common models--

MDS bankruptcy score
scores range from about the 0 to 1300

higher scores = higher risk of default

FICO score
scores range from about the 300s to the 900s
higher scores = lower risk of default

Where do lenders obtain FICO scores?

Each of the three major credit repositories can produce a FICO score based on credit information in its files
Each repository markets FICO scores under its own trade name - -

- Equifax: Beacon score
- Trans Union: Empirica score
- Experian: Experian/FICO score

Are credit scores predictive of credit risk?

Yes - - for all loans and all borrowers, an individual with a credit score below 620 is 2.7 times more likely to default on his/her mortgage loan than someone with a credit score between 660 and 699

Are low-income households more likely to have low credit scores?

- No - - A low-income buyer is as likely to have a high credit score as a high-income homebuyer.
- An individual's management of credit, as measured by a credit score, has little correlation with that individual’s income.

What's the relationship between down payment and credit risk?

- Looking at down payment as the primary risk factor overstates the real credit risk of many homebuyers.
- Those who make only a 5% down payment but have a high credit score say, over 740) are LESS likely to default than those who put 30% down but have a credit score under 620.

Does a lender have to show an applicant his/her credit score?

NO - - There is no legal requirement for the lender to reveal a credit score to an applicant. But if the application is denied, the lender must reveal the reason(s) for that denial.

What if the credit report contains errors?

- Individuals should contact the credit repository to report errors.
- Under the Fair Credit Reporting Act, 30-day resolution is required.
- Lesson: Always obtain credit reports from at least two repositories prior to applying for a mortgage loan to confirm that data is correct!!!!

How can I raise my score?

- While you can improve your future score, it is unlikely that any single action you will take will have a large impact on your score immediately. That's because your score reflects your credit patterns over time. With this in mind, there are things you can do now that will improve your score in the future. These include: pay your bills on time. Delinquent payments and collections can have a major negative impact on your score. As they get older and you pay all other obligations on time, the delinquent information will have less impact.
- Pay down your balances. High outstanding debt can affect your score.
- Apply for new credit sparingly. "Shopping" for credit can have an adverse affect on your score. But it's important to remember that there is no single action that will raise everyone's score. Each time a credit score is calculated, specific reasons are delivered to the lender along with the score. If you've been given a score, you can ask your lender for these reasons (also known as "score factors") that came back with your score. These factors represent the four major reasons, in order of importance, why your score was not higher. Anything that you can do to address these reasons (paying off outstanding accounts to address "number of accounts with balances, for example) will most likely result in an improvement to your score.

Support good credit habits...

- Pay bills on time
- Use revolving debt responsibly
- Avoid large and quick build-up of new credit when you're preparing to buy a home

What are 'score factor' codes?

- Code explanations that show which factors had the greatest impact on the final credit score.
- Up to four explanations codes are provided with each score.
- Example Code 01- Amount owed on accounts is too high (Equifax, TransUnion)

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Mortgage Discrimination

The Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA) protect you against discrimination when you apply for a mortgage to purchase, refinance, or make home improvements.

Your Rights Under ECOA

The ECOA prohibits discrimination in any aspect of a credit transaction based on:

- race or color
- religion
- national origin
- sex
- marital status
- age (provided the applicant has the capacity to contract)
- the applicant's receipt of income derived from any public assistance program
- the applicant's exercise, in good faith, of any right under the Consumer Credit Protection Act, the umbrella statute that includes ECOA

Your Rights Under FHA

The FHA prohibits discrimination in all aspects of residential real-estate related transactions, including:

- making loans to buy, build, repair, or improve a dwelling
- selling, brokering, or appraising residential real estate
- selling or renting a dwelling

It also prohibits discrimination based on:

- race or color
- national origin
- religion
- sex
- familial status (defined as children under the age of 18 living with a parent or legal guardian, pregnant women, and people securing custody of children under 18)
- handicap

Lender Do's and Don'ts

Lenders must:

- consider reliable public assistance income in the same way as other income.
- consider reliable income from part-time employment, Social Security, pensions, and annuities.
- consider reliable alimony, child support, or separate maintenance payments, if you choose to provide this information. A lender may ask you for proof that this income is received consistently.
- if a co-signer is needed, accept someone other than your spouse. If you own the property with your spouse, he or she may be asked to sign documents allowing you to mortgage the property.

Lenders cannot:

- discourage you from applying for a mortgage or reject your application because of your race, national origin, religion, sex, marital status, age, or because you receive public assistance income.
- consider your race, national origin, or sex, although you will be asked to voluntarily disclose this information to help federal agencies enforce anti-discrimination laws. A creditor may consider your immigration status and whether you have the right to remain in the country long enough to repay the debt.
- impose different terms or conditions, such as a higher interest rate or larger down payment, on a loan based on your race, sex, or other prohibited factors.
- consider the racial composition of the neighborhood where you want to live. This also applies when the property is being appraised.
- ask about your plans for having a family. Questions about expenses related to your dependents are permitted.
- refuse to purchase a loan or set different terms or conditions for the loan purchase based on discriminatory factors.
- require a co-signer if you meet the lender's standards.

Strengthening Your Application

Not everyone who applies for a mortgage will get one. Lenders can use factors such as income, expenses, debts, and credit history to evaluate applicants.

There are steps you can take to ensure that your application gets full consideration. Give the lender all information that supports your application.

For example, stable employment is important to many lenders. Perhaps you've recently changed jobs but have been employed steadily in the same field for several years. If so, include that information on your application.

Get a copy of your credit report **before** you apply for a mortgage. Reports sometime contain inaccurate information. For example, accounts might be reported that don't belong to you or paid accounts might be reported as unpaid. If you find errors, dispute them with the credit bureau and tell the lender about the dispute.

If you've had past bill-paying problems, such as a lost job or high medical expenses, write a letter to the lender explaining what caused your past credit problems. Lenders must consider this information at your request.

Try For the Best Loan Terms

Some mortgage lenders may try to charge some borrowers more than others for the same loan product offered at the same time. This may include higher interest rates or origination fees or more points. Ask the lender if the rate you're being quoted is the lowest offered that day. The lender is probably basing the loan offer on the list of mortgage rates frequently issued by that institution to its loan officers. Ask to see this list.

If the lender refuses and you suspect you are not being offered the lowest rates or points available, you may want to negotiate for better terms or shop for another lender. Even if you decide to accept terms that are not the lowest available, ask the lender why you did not qualify for better terms. The answer may help you to correct errors and to become more creditworthy.

If Your Application Is Rejected

If your mortgage is denied, the lender must give you specific reasons why or tell you of your right to ask for them. Under the law, you have the right to:

- Know within 30 days of the date of your completed application whether your mortgage loan is approved. The lender must make a reasonable effort to obtain all necessary information, such as credit reports and property appraisals. If your application is rejected, the lender must tell you in writing.
- Know specifically why your application was rejected. The lender must tell you the specific reason for the rejection or your right to learn the reason if you ask within 60 days. An acceptable response might be: "your income was too low" or "you haven't been employed long enough." A response of "you didn't meet our minimum standards" is not specific enough.
- Learn the specific reason why you were offered less favorable terms than you applied for, but only if you reject these terms. For example, if the lender offered

you a smaller mortgage or a higher interest rate, you have the right to know why if you did not accept the lender's counter offer.
- Find out what is in your credit report. The lender may have rejected your application because of negative information in your credit report. If so, the lender must tell you this and give you the name, address, and phone number of the credit bureau. You can get a free copy of that report from the credit bureau if you request it within 60 days. Otherwise, the credit bureau can charge up to $8.
- If your report contains inaccurate information, the credit bureau is required to investigate items that you dispute. Those companies furnishing inaccurate information to the credit bureaus also must reinvestigate items that you dispute. If you still dispute the credit bureau's account after a reinvestigation, you can include your summary of the problem in your credit report.
- Get a copy of the property appraisal from the lender. Mortgage applications may be turned down because of poor appraisals. Review the appraisal. Check that it contains accurate information and determine whether the appraiser considered illegal factors, such as the racial composition of the neighborhood.

If You Suspect Discrimination

Take action if you think you've been discriminated against.

- Complain to the lender. Sometimes you can persuade the lender to reconsider your application.
- Check with your state Attorney General's office to see if the creditor violated state laws. Many states have their own equal credit opportunity laws.
- Contact a local private fair housing group and report violations to the appropriate government agency. If your mortgage application is denied, the lender must give you the name and address of the agency to contact.
- Consider suing the lender in federal district court. If you win, you can recover your actual damages and be awarded punitive damages if the court finds that the lender's conduct was willful. You also may recover reasonable lawyers' fees and court costs. You also might consider joining with others to file a class action suit.

Getting a Loan: Your Home as Security

If you need a personal loan and are thinking about using your home as security, you should know about a credit law that gives you extra time to reconsider the loan agreement. When you use your home as collateral for a loan, you generally have the right to cancel the credit transaction within three business days. This is called your "right of rescission," and it is guaranteed by the Federal Truth in Lending Act.

The right of rescission gives you three extra days to reconsider whether you want to use your home to guarantee repayment for a personal loan. The right applies even if your home is a condominium, mobile home, or houseboat, as long as it is your principal residence. The right applies to **certain installment loans** -- where you borrow a fixed amount and repay the debt on an agreed payment schedule -- as well as to home equity credit lines -- a form of revolving credit in which your home serves as collateral.

What Rescinding a Credit Transaction Means

Rescinding a credit transaction means you are canceling the deal. In other words, you decide that you do not want the loan or the service being financed.

You can rescind the credit transaction within three days for any reason. For example, you may find better credit terms, such as a loan that offers a lower interest rate or does not require the use of your home as collateral.

How to Rescind a Credit Transaction

Unless you waive your right of rescission, you have until midnight of the third business day after the transaction to cancel the contract. The first day after all three of the following events occurs counts as Day One:

1. You sign the credit contract.

2. You receive a Truth in Lending disclosure form containing certain important disclosures about the credit contract. These disclosures explain the key terms of the credit being offered: the annual percentage rate; the finance charge; the amount financed; the total of payments; and the payment schedule.

3. You receive two copies of a notice explaining your right to rescind.

You should be aware that for rescission purposes, business days **include Saturdays**, but not Sundays or legal public holidays. For example, if the last of the above three events occurs on a Friday, you have until midnight on the following Tuesday to rescind.

During this waiting period, your creditor should not take any action on your transaction. For example, the creditor should not give you the money from the loan or, if you are dealing with a home improvement loan, the contractor should not deliver any materials or start work.

If you decide to exercise your right of rescission, you must notify the creditor in writing that you are canceling the contract. You may use the form provided to you by the creditor, a letter, or a telegram. Whatever form of written notice you use, make sure it is delivered, mailed, or filed for telegraphic transmission before midnight of the third business day. Remember: You cannot rescind just by telephoning or visiting the creditor.

If you never receive the disclosures or the notice of rescission from the creditor (see numbers 2 and 3 above), you can cancel at any time during the first three years after you sign the credit contract, or before you sell your home -- whichever occurs first.

What Happens When You Rescind

Within 20 days after a creditor receives your notice of rescission, all money or property you paid as part of the credit transaction must be returned to you. The creditor also must release any security interest in your home.

If you have received money or property (such as building materials) from the creditor, keep it until the creditor proves that your home is no longer being held as collateral and returns any money you already have paid. For example, the creditor may show you a release of a lien previously filed with your city or county clerk's office to prove your house is no longer collateral. You must then offer to return the creditor's money or property. If the creditor does not claim the money or property within 20 days, you may keep it.

Waiving Your Right to Rescind

Sometimes you may have a financial emergency and not be able to wait for the creditor to slow the loan process by suspending action for three business days. For example, you may need to borrow money quickly to have a damaged roof or house foundation repaired.

The law allows you to waive your right of rescission if you have a "bona fide personal financial emergency." This enables you to have the loan process speeded up to meet the emergency situation. To avail yourself of this right, you must give the creditor your own written statement (pre-printed forms are not allowed) describing the emergency and clearly stating that you are waiving your right to rescind. The statement must be dated and signed by you and anyone else who share in the ownership of the home.

Consider your decisions carefully: If you waive your right to rescind, you must go ahead with the credit transaction.

Typical Situations With No Right of Rescission

The right of rescission does not apply in all cases where your home is used as collateral for the loan. You do not have the right of rescission when:

* You apply for a loan to purchase or build your principal home

* You consolidate or refinance with the same creditor a loan that is already secured by your home, and no additional funds are borrowed

* A state agency is the creditor for the loan

Even in these cases, however, you may have cancellation or "cooling-off" rights under state or local law.

You can file a complaint with the FTC by contacting the Consumer Response Center by phone: toll-free 1-877-FTC-HELP (382-4357); TDD: 202-326-2502; by mail: Consumer Response Center, Federal Trade Commission, 600 Pennsylvania Ave, NW, Washington, DC 20580; or through the Internet at www.ftc.gov. Although the Commission cannot resolve individual problems for consumers, it can act against a company if it sees a pattern of possible law violations.

A Summary of Your Rights Under the Fair Credit Reporting Act

The federal Fair Credit Reporting Act (FCRA) is designed to promote accuracy, fairness, and privacy of information in the files of every "consumer reporting agency" (CRA). Most CRAs are credit bureaus that gather and sell information about you-such as if you pay your bills on time or have filed bankruptcy-to creditors, employers, landlords, and other businesses. You can find the complete text of the FCRA, 15 U.S.C. 1681-1681u, at the Federal Trade Commission's web site, www.ftc.gov.

The FCRA gives you specific rights as outlined below. You may have additional rights under state law. You may contact a state or local consumer protection agency or a state attorney general to learn those rights.

You must be told if information in your file has been used against you
Anyone who uses information from a CRA to take action against you-such as denying an application for credit, insurance or employment-must tell you, and give you the name, address, and phone number of the CRA that provided the consumer report.

You can find out what is in your file
At your request, a CRA must give you the information in your file, and a list of everyone who has requested it recently. There is no charge for the report if a person has taken action against you because of information supplied by the CRA, if you request the report within 60 days of receiving notice of the action. You also are entitled to one free report every twelve months if you certify that (1) you are unemployed and plan to seek employment within 60 days, (2) you are on welfare, or (3) your report is inaccurate due to fraud. Otherwise, a CRA may charge you up to eight dollars.

You can dispute inaccurate information with the CRA
If you tell a CRA that your file contains inaccurate information, the CRA must investigate the items (usually within 30 days) by presenting to its information source all relevant evidence you submit, unless your dispute is frivolous. The source must review your evidence and report its finding to the CRA. (The source also must advise national CRAs-to which it has provided data-of any error.) The CRA must give you a written report of the investigation, and a copy of your report if the investigation results in any change. If the CRA's investigation does not resolve the dispute, you may add a brief statement to your file. The CRA must normally include a summary of your statement in future reports. If an item is deleted or a dispute statement is filed, you may ask that anyone who has recently received your report may be notified of the change.

Inaccurate information must be corrected or deleted
A CRA must remove or correct inaccurate or unverified information for its files, usually within 30 days after you dispute it. **However, the CRA is not required to remove accurate data from your file unless it is outdated (as described below) or cannot be**

verified. If your dispute results in any change to your report, the CRA cannot reinsert into your file a disputed item unless the information source verifies its accuracy and completeness. In addition, the CRA must give you a written notice telling you it has reinserted the item. The notice must include the name, address and phone number of the information source.

You can dispute inaccurate items with the source of the information
If you tell anyone-such as a creditor who reports to a CRA-that you dispute an item, they may not then report the information to a CRA without including a notice of your dispute. In addition, once you've notified the source of the error in writing, it may not continue to report the information if it is, in fact, an error.

Outdated information may not be reported
In most cases, a CRA may not report negative information that is more than seven years old; ten years for bankruptcies.

Access to your file is limited
A CRA may provide information about you only to people with a need recognized by the FCRA-usually to consider an application with a creditor, insurer, employer, landlord, or other business.

Your consent is required for reports that are provided to employers, or reports that contain medical information
A CRA may not give out information about you to your employer, or prospective employer, without your written consent. A CRA may not report medical information about you to creditors, insurers, or employers without your permission.

You may choose to exclude your name from CRA lists for unsolicited credit and insurance offers
Creditors and insurers may use file information as the basis for sending you unsolicited offers of credit or insurance. Such offers must include a toll-free phone number for you to call if you want your name and address removed from future lists. If you call, you must be kept off the lists for two years. If you request, complete, and return the CRA form provided for this purpose, you must be taken off the lists indefinitely.

You may seek damages from violators
If a CRA, a user or (in some cases) a provider of CRA data, violates the FCRA, you may sue them in state or federal court.

The FCRA gives several different federal agencies authority to enforce the FCRA:

For questions or concerns regarding:	Please contact:
CRAs, creditors and others not listed below	Federal Trade Commission Consumer Response Center - FCRA Washington, DC 20580 *877-382-4357
National banks, federal branches/agencies of foreign banks (word "National" or initials "N.A." appear in or after the banks name)	Office of the Comptroller of the Currency Compliance Management, Mail Stop 6-6 Washington, DC 20219 *(800) 613-6743
Federal Reserve System member banks (except national banks, and federal branches/agencies of foreign banks)	Federal Reserve Board Division of Consumer & Community Affairs Washington, DC 20551 *(202) 452-3693
Savings associations and federally chartered savings banks (word "Federal" or initials "F.S.B." appear in federal institution's name)	Office of Thrift Supervision Consumer Programs Washington, DC 20552 *(800) 842-6929
Federal credit unions (words "Federal Credit Union" appear in institution's name)	National Credit Union Administration 1775 Duke Street Alexandria, VA 22314 *(703) 518-6360
State-chartered banks that are not members of the Federal Reserve System	Federal Deposit Insurance Corporation Division of Compliance & Consumer Affairs Washington, DC 20429 *(800) 934-FDIC
Air, surface, or rail common carriers regulated by former Civil Aeronautics Board or Interstate Commerce Commission	Department of Transportation Office of Financial Management Washington, DC 20590 *(202) 366-1306
Activities subject to the Packers and Stockyards Act, 1921	Department of Agriculture Office of the Deputy Administrator-GIPSA Washington, DC 20250 *(202) 720-7051

Dealing With Billing Errors

The Fair Credit Billing Act gives you particular rights when dealing with billing errors.

Fair Credit Billing Act (1974)

Sets up a procedure for the quick correction of mistakes that appear on consumer credit accounts.

You can challenge a billing statement for errors such as charges for unauthorized purchases, charges for items that were never delivered, failure to credit a payment, etc.

You must notify the creditor of a disputed item within 60 days.

Creditor must investigate and, within two billing periods, either correct the mistake or explain why the charge is not in error.

You cannot be billed for or forced to pay the disputed amount until the creditor had finished the investigation.

If it is determined that you are responsible for the bill, you must be given the usual amount of time to pay it.

Your credit history is protected during the dispute process.

Creditors must supply customers with a statement of their rights at the time the account is opened and at least twice a year thereafter.

Other credit card protections include:

Prompt credit for payment
A card issuer must credit your account on the day the issuer receives your payment, unless the payment is not made according to the creditor's requirements.

Refunds of credit balances
When you return merchandise or pay more than you owe, you have the option of keeping the credit card balance on your account or receiving a refund.

Unauthorized charges
If you report your card lost before it is used, you cannot be held responsible for any unauthorized charges.

If your card is used before you report it lost, you are liable for $0 if reported within two business days. After that, you're liable for no more than $50.

Disputes about merchandise or services
In some circumstances, you have the right to withhold payment for unsatisfactory merchandise or services

Credit Protection Laws

Truth In Lending Act

- Requires disclosure of cost requirements for the APR (annual percentage rate) and the dollar amount of finance charges.
- Requires loan terms and conditions be disclosed.
- Regulates how credit terms are advertised.
- Prohibits sending unrequested credit cards by card issuers.
- Limits the liability of unauthorized use to $50 per card for the cardholder.

Fair Credit Reporting Act

- Requires the disclosure of the name and address of any consumer-reporting agency that provides credit reports used to deny credit, insurance or employment.
- Provides the consumer with the right to know what is in his/her file. Have incorrect information investigated and removed and allows the consumer to include a 100-word statement in the file explaining the situation.
- Requires that a consumer’s statement of disputed items be sent by the credit reporting agency to businesses or creditors. 1997 rules require more reporting requirements for stores, banks and credit agencies.
- Requires identification of consumers wishing to inspect their credit file.
- Requires when an investigation or information request is made of a credit file, the consumer be notified.
- Limits the length of time credit information may be maintained in a file.
- Establishes procedures debt collectors must use in contacting the debtor/credit user.
- Limits contracts with a third party by debt collectors.
- Establishes how a payment on several debts is applied and that no monies are applied to a debt in dispute.

Fair Credit Billing Act

- Establishes procedures to be followed when billing errors occur on revolving credit statements.

- Requires creditors to send to consumers a periodic statement, which outlines billing error procedures.

- Allows consumers to withhold credit card payments for faulty goods or services when purchased with a credit card. You must have made the purchase within 100 miles of your home and the item cost more than $50.

- Requires creditors to credit the customer's account promptly and to return overpayments, if requested.

Equal Credit Opportunity Act

- Prohibits creditors from discrimination against credit applicants based on sex, race, marital status, national origin, religion, age or the receipt of public assistance.

- Prohibits the re-application for credit upon change of marital status.

- Requires creditors to contact applicants within 30 days of receiving a completed application within notification of rejection or acceptance.

- Requires creditors to report credit card payment histories on both the names of husband and wife, if both use and are liable for the account.

Fair Debt Collection Practices Act

- Prohibits debt collectors from using abusive, deceptive, and unfair collection practices.

- Prohibits the re-application for credit upon change of marital status.

- Requires creditors to contact applicants within 30 days of receiving a completed application with notification of rejection or acceptance.

- Requires creditors to report credit card payment histories on both the names of husband and wife, if both use and are liable for the account.

What is a Credit Report?

A credit report is a record of data or information regarding the credit history of an individual. Credit reporting agencies keep and organize this information as a service to their clients. Generally, subscribers to credit reporting agencies consist of creditors, banks, department stores, leasing and finance companies, insurance companies, landlords, and employers.

What is in Your Credit Record?

- Identifying information - name, date of birth, social security number, current address and your spouse's name.
- Employment information - occupation, current employer, and time on the job may be included.
- Financial data - credit accounts, credit available, and bill paying history.
- Public record information - such as bankruptcies, lawsuits, or nonpayment of child support.
- Any inquires received - usually within the past two years, for credit information about you.

Credit reports do not contain information on a consumer's life style, personal habits, social life, friends or relatives. In addition, they do not contain medical histories, civic or political activities, religious beliefs, or news items.

Credit reporting agencies have no vested interest in any information contained in an individuals credit report. Their main interest lays in providing the most accurate information possible to their clients who generally use information to approve or decline requests for loans, insurance, and positions of employment or tenancy.

Creditors are unlikely to grant credit to someone who has erratic employment, changes residence frequently, or who represents significant risk. A consumer with a poor payment history or with an unfavorable debt to income ratio represents a risky investment.

Landlords are also interested in this information because they can see your payment history and how often you move. If a prospective tenant moves around a lot and has difficulty paying bills, perhaps the tenant will move quickly and not pay his or her rent. Landlords can also see if the prospective tenant has been evicted from other locations.

Employers may reject applicants for certain positions based on credit reports because employees with unstable financial situations may constitute a risk. Those who hire people for positions that handle money like bank tellers, or positions of authority like police, may reject someone with a poor credit history because that person may be tempted to abuse his or her position. Some employees see a poor credit report as a reflection of poor character.

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38505 Country Club Drive, Suite 210, Farmington Hills, MI 48331
1.877.33ACCEL
www.accelservices.org

Disputing Information on Your Credit Report

Here is a sample letter you can use to dispute information on your credit report:

Date

Your Name
Your Address
Your City, State, Zip

Complaint Department
Name of Credit Reporting Agency (CRA)
Address
City, State, Zip

Dear Sir or Madam:

I am writing to dispute the following information in my file. The items I dispute are also encircled on the attached copy of the report I received.

This item (identify item(s) disputed by name of source, such as creditors or tax court, and identity type of item, such as credit account, judgment, etc.) is (inaccurate or incomplete) because (describe what is inaccurate or incomplete and why). I am requesting that the item be deleted (or request another specific change) to correct the information.

Enclosed are copies of (use this sentence is applicable and describe any enclosed documentation, such as payment records, court documents) supporting my position. Please reinvestigate this (these matter(s) and delete or correct) the disputed item(s) as soon as possible.

Sincerely,

Your name

Enclosures: (List what you are enclosing)

Here's a list of what happens during the dispute process:

- CRAs must reinvestigate the item(s) in question - usually within 30 days - unless they consider your dispute frivolous. They also must forward all relevant data you provide about the dispute to the information provider. After the information provider receives notice of a dispute from the CRA, it must investigate, review all relevant information provided by the CRA, and report the results to the CRA. If the information provider finds the disputed information to be inaccurate, it must notify all nationwide CRAs so that they can correct this information in your file.
- Disputed information that cannot be verified must be deleted from your file.
- If your report contains inaccurate information, the CRA must correct it.
- If an item is incomplete, the CRA must complete it. For example, if your file showed that you were late making payments, but failed to show that you were no longer delinquent, the CRA must show that your payments are now current.
- If your file shows an account that belongs only to another person, the CRA must delete it.
- When the reinvestigation is complete, the CRA must give you the written results and a free copy of your report if the dispute results in a change. If an items is changed or removed, the CRA cannot put the disputed information back in your file unless the information provider verifies its accuracy and completeness, and the CRA gives you a written notice of its intent to reinsert the item that includes the name, address, and phone number of the provider.
- If you request, the CRA must send notices of any correction to anyone who received your report in the past six months. You can have a corrected copy of your report sent to anyone who received a copy during the past two years for employment purposes. If a reinvestigation does not resolve your dispute, ask the CRA to include your statement of the dispute in your file and in future reports.
- In addition to writing the CRA, you should tell the creditor or other information provider **in writing** that you dispute an item. Be sure to include copies (not originals) of documents that support your position. Many providers specify an address for disputes. If the provider continues to report the disputed item to any CRA after receiving your notice, it must include a notice that you dispute the item. If you are correct - that is, if the information is not accurate - the information provider may **not** report it again.

Accurate Negative Information

When negative information in your report is accurate, only the passage of time can assure its removal. Accurate negative information generally can stay on your report for seven years. There are certain exceptions:

- Bankruptcy information may be reported for 10 years.
- Credit information reported in response to an application for a job with a salary of more than $75,000 has no time limit.

- Information about criminal convictions has no time limit.
- Credit information reported because of an application for more than $150,000 worth of credit or life insurance has no time limit.
- Default information concerning U.S. Government insured or guaranteed student loans can be reported for seven years after certain guarantor actions.
- Information about a lawsuit or an unpaid judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer.

Seven - Year Reporting Period

There is a standard method for calculating the seven-year reporting period. Generally, the period runs from the date that the event took place. With regards to any delinquent account placed for collection - internally or by referral to a third - party debt collector, whichever is earlier - charged to profit and loss, or subjected to any similar action, the seven-year period is calculated from the date of the delinquency that occurred immediately before the collection activity, charge to profit and loss, or similar action. For example, assume that your payments on a loan were late in January, but that you caught up in February. You were late again in May, but caught up in July. You are late again in September, but did not catch up before the account was turned over to a collection agency in December. You made no more payments on the account, and it is charged to profit and loss in July of the following year.

Under the FCRA, the January and May late payments each can be reported for seven years. The collection activity and the charge to profit and loss can be reported for seven years from the date of the September payment, which was the delinquency that occurred immediately before those activities.

Charge-Offs

Understanding what happens when your account is "Charged - Off"

Many delinquent accounts are determined as no longer an asset, and they are termed "charged-off." The lending institution must then classify the account as "un-collectible" and transfer the account out of the company's account receivables and take it as a loss.

If you are notified by mail or a phone call that your account will be "charged-off," write down the name and title of the person to whom you spoke. In addition, write down the date and financial requirements to prevent the "charge-off."

What happens to your account?

Your account is usually still handled by a collection department or may be turned over to a collection agency if that is the creditor's policy. You will continue to receive phone calls and letters from your creditor.

Payment arrangements may be set up.

You will no longer be charged monthly interest on your account in most cases. Check your contact to determine how your creditor handles "charge-offs."

What happens to your credit history?

The "charge-off" status is reported on your credit bureau report along with your previous slow payment history. Paying off your "charge-off" account does help your credit history. Your credit bureau report will still indicate the account was a charge-off," but has been paid in full.

Building a Better Credit Record

Newspapers, radio, TV and the Internet are filled with advertisements that offer—for a fee—to erase accurate negative information in your credit file. The scam artists who run these ads can't deliver. The ads generally look something like this:

We can remove bankruptcies, judgments, liens and bad loans from your credit file, FOREVER!

We can erase your bad credit—100% guaranteed.

Create a new credit identity—legally!

Credit Problems? No problem!

Do yourself a favor and save money too. DON'T BELIEVE THESE STATEMENTS. Only time, a deliberate effort, and a plan to repay your bills will improve your credit record.

This publication is designed to help you understand and legally improve your credit report. This publication has five sections:

Section One - explains how consumer reporting agencies work and your rights under the Fair Credit Reporting Act.

Section Two - explains how you can legally improve your credit report.

Section Three - offers tips on dealing with debt.

Section Four - cautions you about credit-related scams and how to avoid them.

Section Five - lists resources for additional information.

Consumer Reporting Agencies

If you've ever applied for a credit card, a personal loan, or insurance, there's a file about you. This file contains information on where you work and live, how you pay your bills, and whether you've been sued, arrested, or filed for bankruptcy.

Companies that gather and sell this information are called Consumer Reporting Agencies (CRAs). The most common type of CRA is the credit bureau. The information CRAs sell about you to creditors, employers, insurers, and other businesses is called a consumer report.

The Fair Credit Reporting Act (FCRA)

The FCRA is designed to promote accuracy and ensure the privacy of information used in consumer reports. Recent amendments to the Act expand your rights and place additional requirements on CRAs. Businesses that supply information about you to CRAs and those that use consumer reports also have new responsibilities under the law.

Here are some questions consumers commonly ask about consumer reports and CRAs—and the answers.

Q. How do I find the CRA that has my report?
A. Contact the CRAs listed in the Yellow Pages under "credit" or "credit rating and reporting." Because more than one CRA may have a file on you, call each until you have located all the agencies maintaining your file. The three major credit bureaus are:

Experian PO Box 2002 Allen, TX 75013 1-888-397-3742	**Equifax** PO Box 740241 Atlanta, GA 30374-0241 1-800-685-1111	**TransUnion** PO Box 1000 Chester, PA 19022 1-800-916-8800

In addition, anyone who takes action against you in response to a report supplied by a CRA—such as denying your application for credit, insurance, or employment—must give you the name, address, and telephone number of the CRA that provided the report.

Q. Do I have a right to know what's in my report?
A. Yes, if you ask for it. The CRA must tell you everything in your report, including medical information, and in most cases, the sources of the information. The CRA also must give you a list of everyone who has requested your report within the past year—two years for employment related requests.

Q. Is there a charge for my report?
A. Sometimes. There's no charge if a company takes adverse action against you, such as denying your application for credit, insurance or employment, and you request your report within 60 days of receiving the notice of the action. The notice will give you the name, address, and phone number of the CRA. In addition, you're entitled to one free report a year if you certify in writing that (1) you're unemployed and plan to look for a job within 60 days, (2) you're on welfare, or (3) your report is inaccurate because of fraud. Otherwise, a CRA may charge you for a copy of your report.

Even if you have not been denied credit, you may want to find out what information is in your credit report. Some financial advisors suggest that you review your credit report periodically for inaccuracies or omissions. This could be especially important if you're considering a major purchase, such as buying a home or a car. Checking in advance on the accuracy of the information in your credit report could speed the credit-granting process.

Q. What type of information do credit bureaus collect and sell?
A. Credit Bureaus collect and sell four basic types of information. Identification and employment information, your name, birth date, Social Security number, employer, and spouse's name are routinely noted. The CRA also may provide information about your employment history, home ownership, income, and previous address, if a creditor requests this type of information.

Payment history
Your accounts with different creditors are listed, showing how much credit has been extended and whether you've paid on time. Related events, such as referral of an overdue account to a collection agency, may also be noted.

Inquiries
CRAs must maintain a record of all creditors who have asked for your credit history within the past year, and a record of those persons or businesses requesting your credit history for employment purposes for the past two years.

Public record information
Events that are a matter of public record, such as bankruptcies, foreclosures, or tax liens, may appear in your report.

Improving Your Credit Report

Under the law, both the CRA and the organization that provided the information to the CRA, such as a bank or credit card company, have responsibilities for correcting inaccurate or incomplete information in your report. To protect all your rights under the law, contact both the CRA and the information provider if you have a dispute.

- First, tell the CRA **in writing** what information you believe is inaccurate. Include copies (not originals) of documents that support your position. In addition to providing your complete name and address, your letter should clearly identify each item in your report you dispute, state the facts and explain why you dispute the information, and request deletion or correction. You may want to enclose a copy of your report with the items in question circled. Your letter may look something like the one below. Send your letter by certified mail, return receipt requested, so you can document what the CRA received. Keep copies of your dispute letter and enclosures.

Sample Dispute Letter

Date

Your Name
Your Address
Your City, State, Zip

Complaint Department
Name of Credit Reporting Agency (CRA)
Address
City, State, Zip

Dear Sir or Madam:

I am writing to dispute the following information in my file. The items I dispute are also encircled on the attached copy of the report I received.

This item (identify item(s) disputed by name of source, such as creditors or tax court, and identity type of item, such as credit account, judgment, etc.) is (inaccurate or incomplete) because (describe what is inaccurate or incomplete and why). I am requesting that the item be deleted (or request another specific change) to correct the information.

Enclosed are copies of (use this sentence is applicable and describe any enclosed documentation, such as payment records, court documents) supporting my position. Please reinvestigate this (these matter(s) and delete or correct) the disputed item(s) as soon as possible.

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- If you request, the CRA must send notices of any correction to anyone who received your report in the past six months. You can have a corrected copy of your report sent to anyone who received a copy during the past two years for employment purposes. If a reinvestigation does not resolve your dispute, ask the CRA to include your statement of the dispute in your file and in future reports.
- In addition to writing to the CRA, you should tell the creditor or other information provider **in writing** that you dispute an item. Be sure to include copies (not originals) of documents that support your position. Many providers specify an address for disputes. If the provider continues to report the disputed item to any CRA after receiving your notice, it must include a notice that you dispute the item. If you are correct—that is, if the information *is not* accurate—the information provider may **not** report it again.

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When negative information in your report is accurate, only the passage of time can assure its removal. Accurate negative information generally can stay on your report for seven years. There are certain exceptions:

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- Credit information reported because of an application for more than $150,000 worth of credit or life insurance has no time limit.

- Default information concerning U.S. Government insured or guaranteed student loans can be reported for seven years after certain guarantor actions.
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Under the FCRA, the January and May late payments each can be reported for seven years. The collection activity and the charge to profit and loss can be reported for seven years from the date of the September payment, which was the delinquency that occurred immediately before those activities.

Adding Accounts to Your File

Your credit file may not reflect all your credit accounts. Although most national department store and all-purpose bank credit card accounts will be included in your file, not all creditors supply information to CRAs: Some travel, entertainment, gasoline card companies, local retailers, and credit unions are among those creditors that don't.
If you've been told that you were denied credit because of an "insufficient credit file" or "no credit file" and you have accounts with creditors that don't appear in your credit file, ask the CRA to add this information to future reports. Although they are not required to do so, many CRAs will add verifiable accounts for a fee. However, understand that if these creditors do not report to the CRA on a regular basis, the added items will not be updated in your file.

Dealing with Debt

Are you having trouble paying your bills? Are you getting dunning notices from creditors? Are your accounts being turned over to debt collectors? Are you worried about losing your home or your car?

You're not alone. Many people face financial crises at some time in their lives. Whether the crisis is caused by personal or family illness, the loss of a job, or simple overspending, it can seem overwhelming, but often can be overcome. The fact of the matter is that your financial situation doesn't have to go from bad to worse.

If you or someone you know is in financial hot water, consider these options: realistic budgeting, credit counseling from a reputable organization, debt consolidation, or bankruptcy. How do you know which will work best for you? It depends on your level of debt, your level of discipline, and your prospects for the future.

Self-Help

Developing a Budget
The first step toward taking control of your financial situation is to do a realistic assessment of how much money comes in and how much money you spend. Start by listing your income from all sources. Then, list your "fixed" expenses—those that are the same each month—such as your mortgage payments or your rent, car payments, or insurance premiums. Next, list the expenses that vary, such as entertainment, recreation, or clothing. Writing down all your expenses—even those that seem insignificant—is a helpful way to track your spending patterns, identify the expenses that are necessary, and prioritize the rest. The goal is to make sure you can make ends meet on the basics: housing, food, health care, insurance, and education.

Your public library has information about budgeting and money management techniques. Low cost budgeting counseling services that can help you analyze your income and expenses and develop a budget and spending plan also are available in most communities. Check your Yellow Pages or contact your credit union or consumer protection office for information about them. In addition, many universities, military bases, credit unions, and housing authorities operate nonprofit financial counseling programs.

Contacting Your Creditors
Contact your creditors immediately if you are having trouble making ends meet. Tell them why it's difficult for you, and try to work out a modified payment plan that reduces your payments to a more manageable level. Don't wait until your accounts have been turned over to a debt collector. At that point, the creditors have given up on you.

Dealing with Debt Collectors
The Fair Debt Collection Practices Act is the federal law that dictates how and when a debt collector may contact you. A debt collector may not call you before 8 a.m., after 9 p.m., or at work if the collector knows that your employer doesn't approve of the calls. Collectors may not harass you, make false statements, or use unfair practices when they try to collect a debt. Debt collectors must honor a written request from you to stop further contact.

Credit Counseling

If you aren't disciplined enough to create a workable budget and stick to it, can't work out a repayment plan with your creditors, or can't keep track of mounting bills, consider contacting a credit counseling service. Your creditors may be willing to accept reduced payments if you enter into a debt repayment plan with a reputable organization. In these plans, you deposit money each month with the credit counseling service. Your deposits are used to pay your creditors according to a payment schedule developed by the counselor. As part of the repayment plan, you may have to agree not to apply for—or use—any additional credit while you're participating in the program.

A successful repayment plan requires you to make regular, timely payments, and could take 48 months or longer to complete. Ask the credit counseling service for an estimate of the time it will take you to complete the plan. Some credit counseling services charge little or nothing for managing the plan; others charge a monthly fee that could add up to a significant charge over time. Some credit counseling services are funded, in part, by contributions from creditors.

While a debt repayment plan can eliminate much of the stress that comes from dealing with creditors and overdue bills, it does not mean you can forget about your debts. You still are responsible for paying any creditors whose debts are not included in the plan. You are responsible for reviewing monthly statements from your creditors to make sure your payments have been received. If your repayment plan depends on your creditors agreeing to lower or eliminate interest and finance charges, or waive late fees, you are responsible for making sure these concessions are reflected on your statements.

A debt repayment plan does not erase your negative credit history. Accurate information about your accounts can stay on your credit report for up to seven years. In addition, your creditors will continue to report information about accounts that are handled through a debt repayment plan. For example, creditors may report that an account is in financial counseling, that payments have been late or missed altogether, or that there are write-offs or other concessions. A demonstrated pattern of timely payments, however, will help you get credit in the future.

If you would like to discuss a debt repayment plan, you can take advantage of the ***Accel*** program, a **free** financial education and counseling program of your credit union. ***Accel*** counselors are available Monday through Thursday 8 a.m. to 9 p.m. (EST), Friday 8 a.m.

to 7 p.m. and Saturday from 9 a.m. to 1 p.m. To use this new service, simply call 1-877-33ACCEL (332-2235) or visit them on the web at www.accelservices.org

Auto and Home Loans
Debt repayment plans usually cover unsecured debt. Your auto and home loan, which are considered secured debt, may not be included. You must continue to make payments to these creditors directly.
Most automobile financing agreements allow a creditor to repossess your car any time you're in default. No notice is required. If your car is repossessed, you may have to pay the full balance due on the loan, as well as towing and storage costs, to get it back. If you can't do this, the creditor may sell the car. If you see default approaching, you may be better off selling the car yourself and paying off the debt: You would avoid the added costs of repossession and a negative entry on your credit report.

If you fall behind on your mortgage, contact your lender immediately to avoid foreclosure. Most lenders are willing to work with you if they believe you're acting in good faith and the situation is temporary. Some lenders may reduce or suspend your payments for a short time. When you resume regular payments, though, you may have to pay an additional amount toward the past due total. Other lenders may agree to change the terms of the mortgage by extending the repayment period to reduce the monthly debt. Ask whether additional fees would be assessed for these changes, and calculate how much they total in the long run.

If you and your lender cannot work out a plan, contact a housing counseling agency. Some agencies limit their counseling service to homeowners with FHA mortgages, but many offer free help to any homeowner who's having trouble making mortgage payments. ***Accel*** counselors are HUD certified.

Debt Consolidation

You may be able to lower your cost of credit by consolidating your debt through a second mortgage or a home equity line of credit. Think carefully before taking this on. These loans require your home as collateral. If you can't make the payments—or if the payments are late—you could lose your home.
The costs of these consolidation loans can add up. In addition to interest on the loan, you pay "points." Typically, one point is equal to one percent of the amount you borrow. Still, these loans may provide certain tax advantages that are not available with other kinds of credit.

Bankruptcy

Personal bankruptcy generally is considered the debt management tool of last resort because the results are long lasting and far-reaching. A bankruptcy stays on your credit report for 10 years, making it difficult to acquire credit, buy a home, get life insurance, or sometimes get a job. However, it is a legal procedure that offers a fresh start for people who can't satisfy their debts. Individuals who follow the bankruptcy rules receive a discharge – a court order that says they do not have to repay certain debts.

There are two primary types of personal bankruptcy: Chapter 13 and Chapter 7. Each must be filed in federal bankruptcy court. The current fees for seeking bankruptcy relief are $160: a filing fee of $130 and an administrative fee of $30. Attorney fees are additional and can vary widely. The consequences of bankruptcy are significant and require careful consideration.

Chapter 13 allows you, if you have a regular income and limited debt, to keep property, such as a mortgaged house or car that you otherwise might lose. In Chapter 13, the court approves a repayment plan that allows you to pay off a default during a period of three to five years, rather than surrender any property.

Chapter 7, known as straight bankruptcy, involves liquidating all assets that are not exempt. Exempt property may include cars, work-related tools and basic household furnishings. Some property may be sold by a court-appointed official – a trustee – or turned over to creditors. You can receive a discharge of your debts under Chapter 7 only once every six years.

Both types of bankruptcy may get rid of unsecured debts and stop foreclosures, repossessions, garnishments, utility shut-offs, and debt collection activities. Both also provide exemptions that allow you to keep certain assets, although exemption amounts vary. Personal bankruptcy usually does not erase child support, alimony, fines, taxes, and some student loan obligations. Also, unless you have an acceptable plan to catch up on your debt under Chapter 13, bankruptcy usually does not allow you to keep property when your creditor has an unpaid mortgage or lien on it.

Avoiding Scams

Turning to a business that offers help in solving debt problems may seem like a reasonable solution when your bills become unmanageable. Be cautious. Before you do business with any company, check it out with your local consumer protection agency or the Better Business Bureau in the company's location.

Ads Promising Debt Relief May Be Offering Bankruptcy

Consumer debt is at an all-time high. What's more, a record number of consumers are filing for bankruptcy. Whether your debt dilemma is the result of an illness, unemployment, or overspending, it can seem overwhelming. In your effort to get solvent, be on the alert for advertisements that offer seemingly quick fixes. While the ads pitch the promise of debt relief, they rarely say relief may be spelled b-a-n-k-r-u-p-t-c-y. And although bankruptcy is one option to deal with financial problems, it's generally considered the option of last resort. The reason: it has a long-term negative impact on your creditworthiness. A bankruptcy stays on your credit report for 10 years, and can hinder your ability to get credit, a job, insurance, or even a place to live.

Bankruptcy has a long-term negative impact on your creditworthiness.

The Federal Trade Commission cautions consumers to read between the lines when faced with ads in newspapers, magazines, or even telephone directories that say:

"Consolidate your bills into one monthly payment without borrowing"

**"STOP credit harassment, foreclosures, repossessions,
tax levies and garnishments"**

"Keep Your Property"

"Wipe out your debts! Consolidate your bills! How? By using the protection and assistance provided by federal law. For once, let the law work for you!"

You'll find out later that such phrases often involve bankruptcy proceedings, which can hurt your credit and cost you attorneys' fees.

Advance-Fee Loan Scams

These scams often target consumers with credit problems or consumers who have difficulty getting credit. In exchange for an up-front fee, these companies guarantee that applicants will get the credit they want—usually a credit card or a personal loan.

The upfront fee may range from $100 to several hundred dollars. Resist the temptation to follow up on advance-fee loan guarantees. They may be illegal. Many legitimate creditors offer extensions of credit, such as credit cards, loans, and mortgages, through telemarketing and require an application fee or appraisal fee in advance. But legitimate creditors **never guarantee in advance** that you'll get the loan. Under the federal Telemarketing Sales Rule, a seller or telemarketer who guarantees or represents a high likelihood of your getting a loan or some other extension of credit **may not** ask for or receive payment until you've received the loan.

Recognizing an Advance-Fee Loan Scam

There are many fraudulent loan brokers and other individuals misrepresenting the availability of credit and credit terms. One of their favorite strategies is the "advance-fee" loan scam. That's where they claim to guarantee that they can get a loan or other type of credit for you—but you must pay a fee **before you apply**.

Ads for advance-fee loans often appear in the classified ad section of local and national newspapers and magazines. They also may appear in mailings, radio spots, and on local cable stations. Often, these ads feature "900" numbers, which result in charges on your phone bill. In addition, these companies often use delivery systems other than the U.S. Postal Service, such as overnight or courier services, to avoid detection and prosecution by postal authorities.

Don't confuse a legitimate credit offer with an advance-fee loan scam. An offer for credit from a bank, savings and loan, mortgage broker generally requires your verbal or written acceptance of the loan or credit offer. The offer usually is subject to a check of your credit report after you apply to make sure you meet their credit standards. You are usually not required to pay a fee in order to get the credit.

Be suspicious of anyone who calls you on the phone and says they can guarantee you will get a loan if you pay in advance. Hang up. It's against the law.

Protecting Yourself

Here are some points to keep in mind before you respond to ads that promise easy credit, regardless of your credit history:

- Most legitimate lenders will not "guarantee" that you will get a loan or a credit card before you apply, especially if you have bad credit, or a bankruptcy.
- It is an accepted and common practice for reputable lenders to require payment for a credit report or appraisal. You also may have to pay a processing or application fee.
- Never give your credit card account number, bank account information, or Social Security number out over the telephone unless you are familiar with the company and know why the information is necessary.

Credit Repair Scams

You see the ads in newspapers, on TV, and on the Internet. You hear them on the radio. You get fliers in the mail. You may even get calls from telemarketers offering credit repair services. They all make the same claims:

Credit problems? No problem!"

"We can erase your bad credit—100% guaranteed."

"Create a new credit identity—legally."

**"We can remove bankruptcies, judgments, liens,
and bad loans from your credit file forever!"**

Do yourself a favor and save some money too. Don't believe these statements. Only time, a conscientious effort, and a plan for repaying your debt will improve your credit report.

The Scam
Everyday, companies nationwide appeal to consumers with poor credit histories. They promise, for a fee, to clean up your credit report so you can get a car loan, a home mortgage, insurance, or even a job. The truth is, they can't deliver. After you pay them hundreds or thousands of dollars in up-front fees, these companies do nothing to improve your credit report; many simply vanish with your money.

The Warning Signs
If you decide to respond to a credit repair offer, beware of companies that:

- want you to pay for credit repair services before any services are provided;
- do not tell you your legal rights and what you can do—yourself—for free;
- recommend that you not contact a credit bureau directly;
- suggest that you try to invent a "new" credit report by applying for an Employer Identification Number to use instead of your Social Security number; or
- advise you to dispute all information in your credit report or take any action that seems illegal, such as creating a new credit identity. If you follow illegal advice and commit fraud, you may be subject to prosecution.

You could be charged and prosecuted for mail or wire fraud if you use the mail or telephone to apply for credit and provide false information. It's a federal crime to make false statements on a loan or credit application, to misrepresent your Social Security number, and to obtain an Employer Identification Numbers from the Internal Revenue Service under false pretenses.

The Credit Repair Organizations Act
By law, credit repair organizations must give you a copy of the "Consumer Credit File Rights Under State and Federal Law" before you sign a contract. They also must give you a written contract that spells out your rights and obligations. Read these documents before signing the contract.

The law contains specific consumer protections. For example, a credit repair company cannot:

- make false claims about their services
- charge you until they have completed the promised services
- perform any services until they have your signature on a written contract and have completed a three-day waiting period. During this time, you can cancel the contract without paying any fees.

Your contract must specify:

- the payment for services, including their total cost
- a detailed description of the services to be performed
- how long it will take to achieve the results
- any guarantees they offer
- the company's name and business address

If You Are A Victim — Where to Complain...

If you've had a problem with any of the scams described here, contact your local consumer protection agency, state Attorney General (AG), or Better Business Bureau. Many AGs have toll-free consumer hotlines. Check with your local directory assistance.

For More Information

The Federal Trade Commission enforces a number of credit laws and provides consumers with free information about them:

The Equal Credit Opportunity Act prohibits the denial of credit because of your sex, race, marital status, religion, national origin, age, or because you receive public assistance.

The Fair Credit Reporting Act gives you the right to learn what information is being distributed about you by credit reporting agencies.

The Truth in Lending Act requires lenders to give you written disclosures of the cost of credit and terms of repayment before you enter into a credit transaction.

The Fair Credit Billing Act establishes procedures for resolving billing errors on your credit card accounts.

The Fair Debt Collection Practices Act prohibits debt collectors from using unfair or deceptive practices to collect overdue bills that your creditor has forwarded for collection.

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What To Do If You Are Denied Credit

If you think the reasons for denial are valid:

- Ask the creditor if you can provide additional information or arrange alternate credit terms.
- Apply to another creditor whose standards may be different.
- Do the things you need to do to improve your credit worthiness (pay bills on time, increase income, reduce spending, obtain a secured card etc.) and then reapply.

If you are not sure whether the reason for denial is valid:

- Ask the creditor to explain why you were denied.
- Review your credit history.
- If you find your credit history contains errors, take steps to correct the errors.

If you believe the reason for the denial is invalid and that the creditor has discriminated against you:

- Notify the federal enforcement agency whose name you were given by the creditor. The federal enforcement agency will investigate and report back to you.
- If you can afford it, hire an attorney to file suit against the creditor. If the court determines the creditor did discriminate, the creditor will be required to pay you actual damages plus punitive damages.